# The Real Estate ANALYST

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A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends. Constantly measuring and reporting the basic economic factors responsible for changes in trends and values ....Current Studies.... Survey.... Forecasts

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS


## MORTGAGE ACTIVITY BOOMING

OUR regular survey of mortgage activity has been extended to include 65 cities instead of 40. This survey of 65 cities will be published in the Real Estate Analyst on the same schedule followed previously - twice a year.

The year 1949 was one of almost wild activity in real estate mortgages. Never before did so many people have the inclination (and sometimes very little else) to buy homes, and never has it been so easy to finance them. In January 1950 the index of mortgage activity rose to a new postwar peak of 112.7, far surpassing its previous high reading of 91.5 reached in late 1947. In 24 of the 65 cities surveyed, mortgage activity reached new postwar highs during late 1949 or early 1950. Indications are that this feverish pace will continue for at least several more months, although there are several factors that can cause it to slow down. The curtailment of FNMA funds is one factor that may cause mortgage activity to slip from its present lofty level. How much effect this curtailment will have depends on several factors that cannot be fully evaluated now. For one, none can safely predict the future policy Fannie May will follow in slimming down her rather buxom portfolio. It isn't too much to hope that she will sincerely try to unload large portions of her holdings. Rumor has it that so far she has tried to bargain a little too sharply on her more seasoned mortgages. That, however, was during the period when she was operating right out of Uncle Sam's pocket and, if she is forced to reduce her holdings in order to stay in business, she may accept the fact that she is in a buyer's market. If she does, and is successful in disposing of several hundred million dollars in mortgages, she will have that much to spend on new acquisitions.

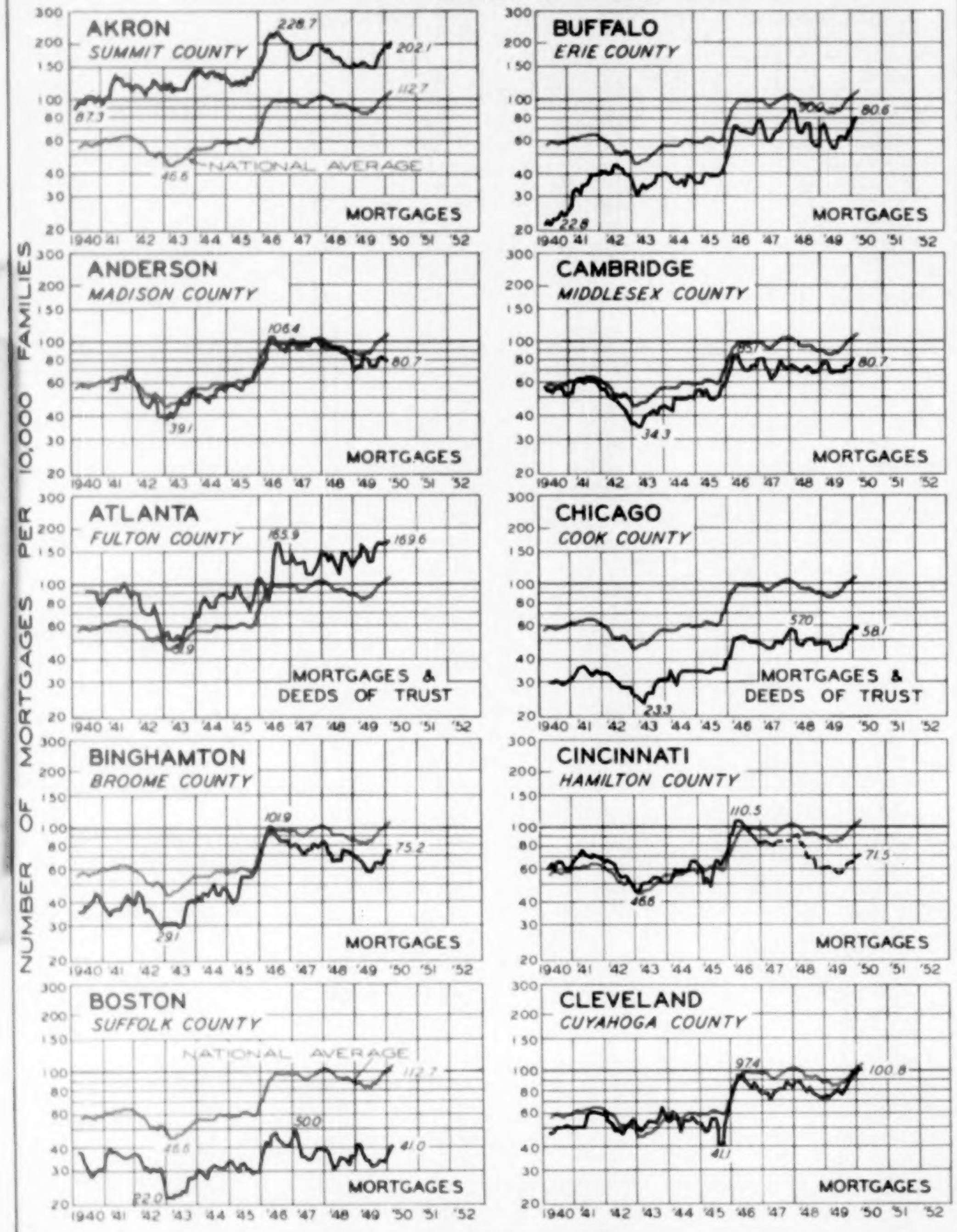
The further liberalizing of Section 501 of the Servicemen's Readjustment Act will also probably go a long way in taking up any slack resulting from FNMA curtailment. The new housing bill raises the VA guarantee from 50% to 60% and increases the dollar amount from $4,000 to $7,500.

Some FHA loans also now require lower down payments, particularly in financing lower-priced homes, and this will further stimulate mortgage activity. It is interesting, albeit a little frightening, to speculate on to what lengths Congress might go in the liberalization of housing credit and what repercussions would be felt. Apparently the ultimate goal of our government housing financiers is to reach that point where anyone with a steady job can buy a new home with no down payment on a 30- to 40-year loan, and the lower the interest rate the better.

No attempt is being made to stabilize our mortgage boom or any other important
(cont. on page 154)

# MORTGAGE CTIVITY IN PRINCIPAL CITIES





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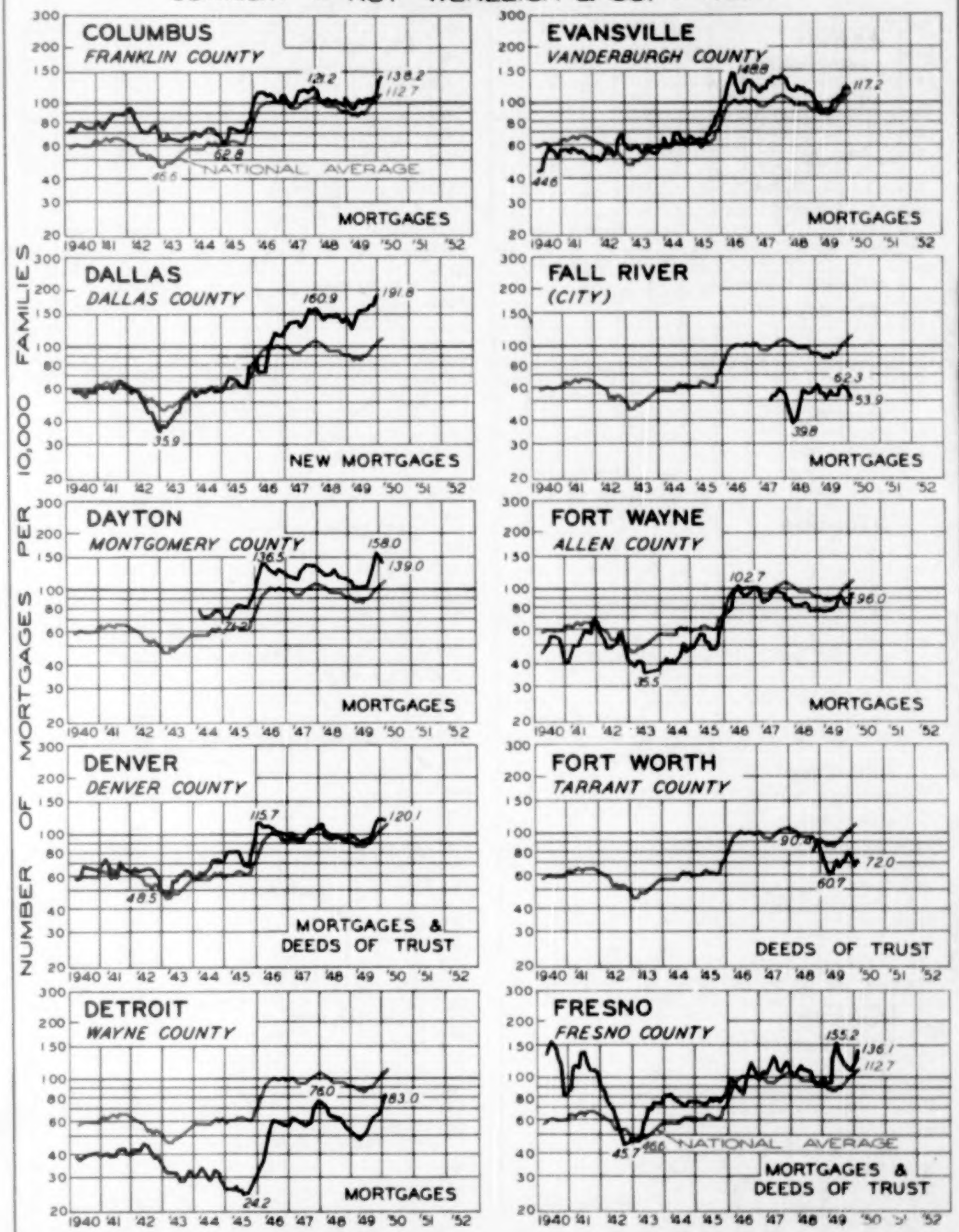

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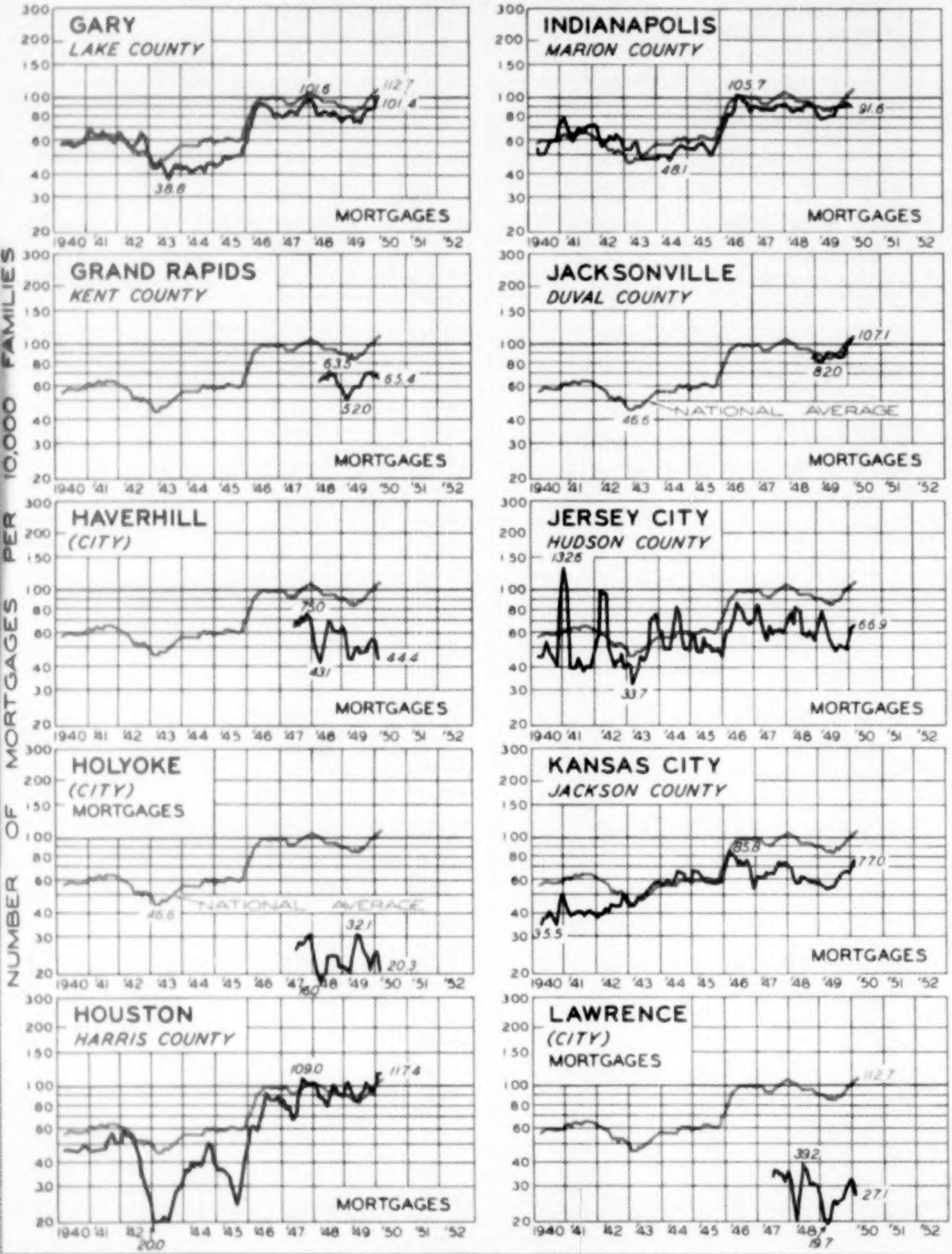

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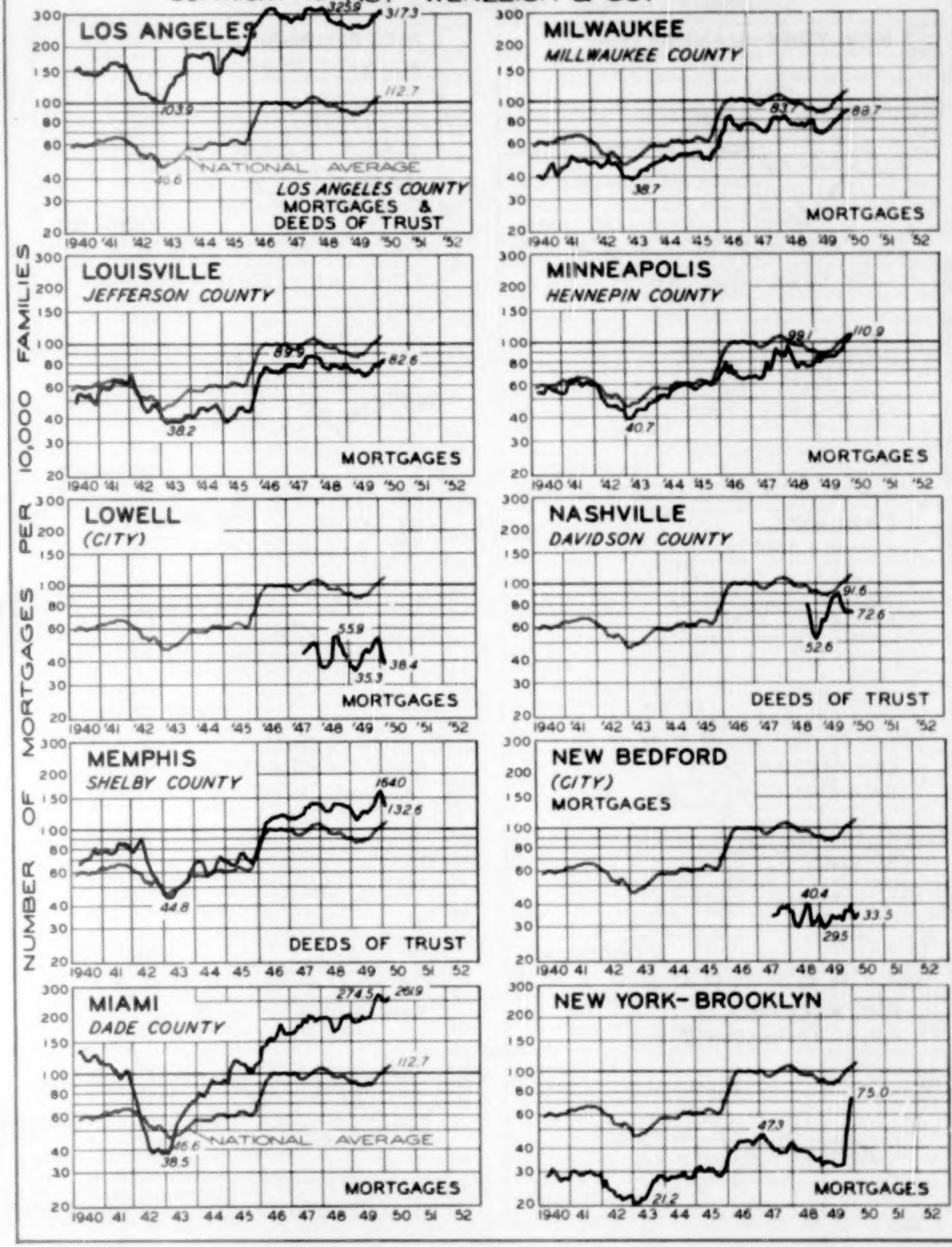

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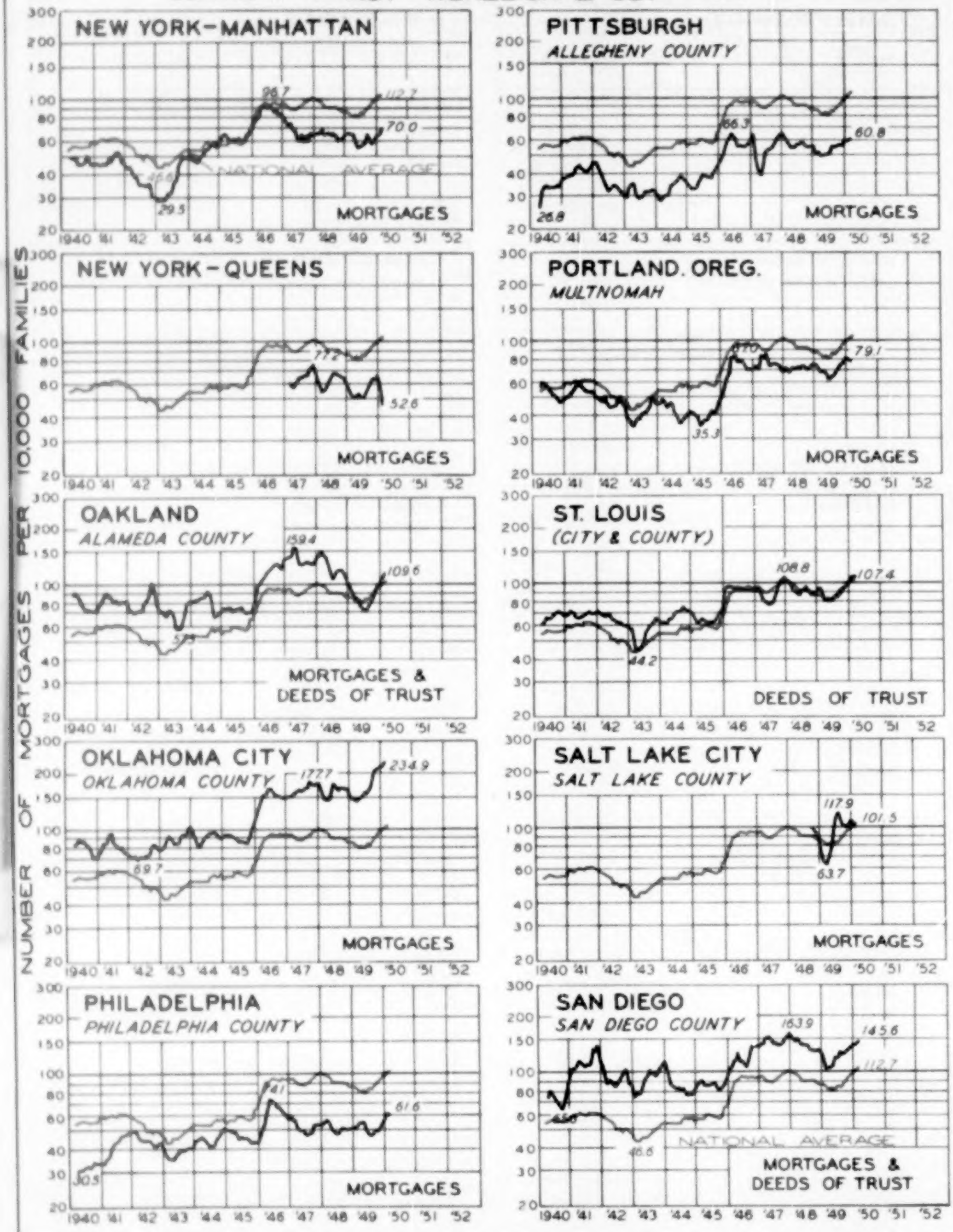

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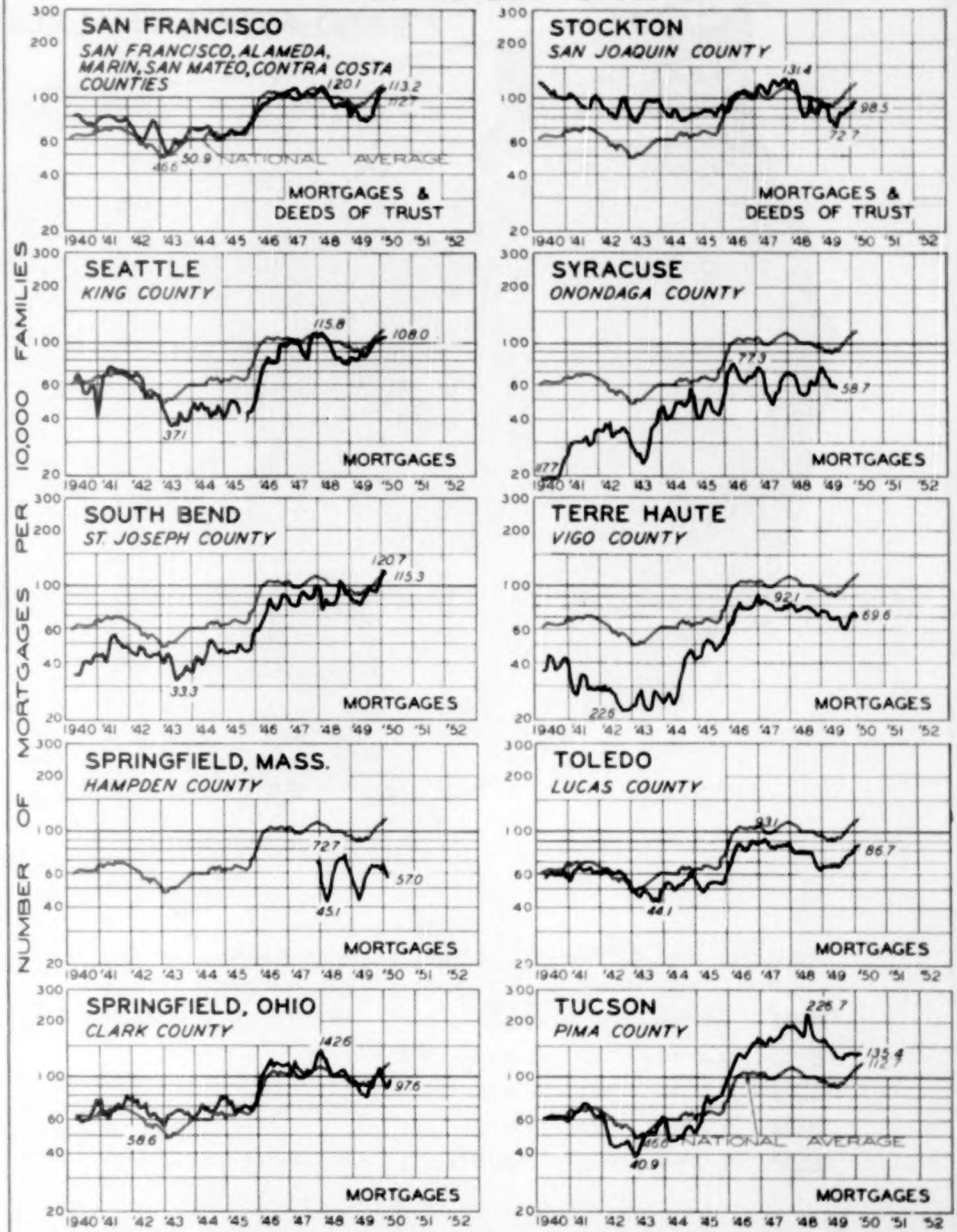

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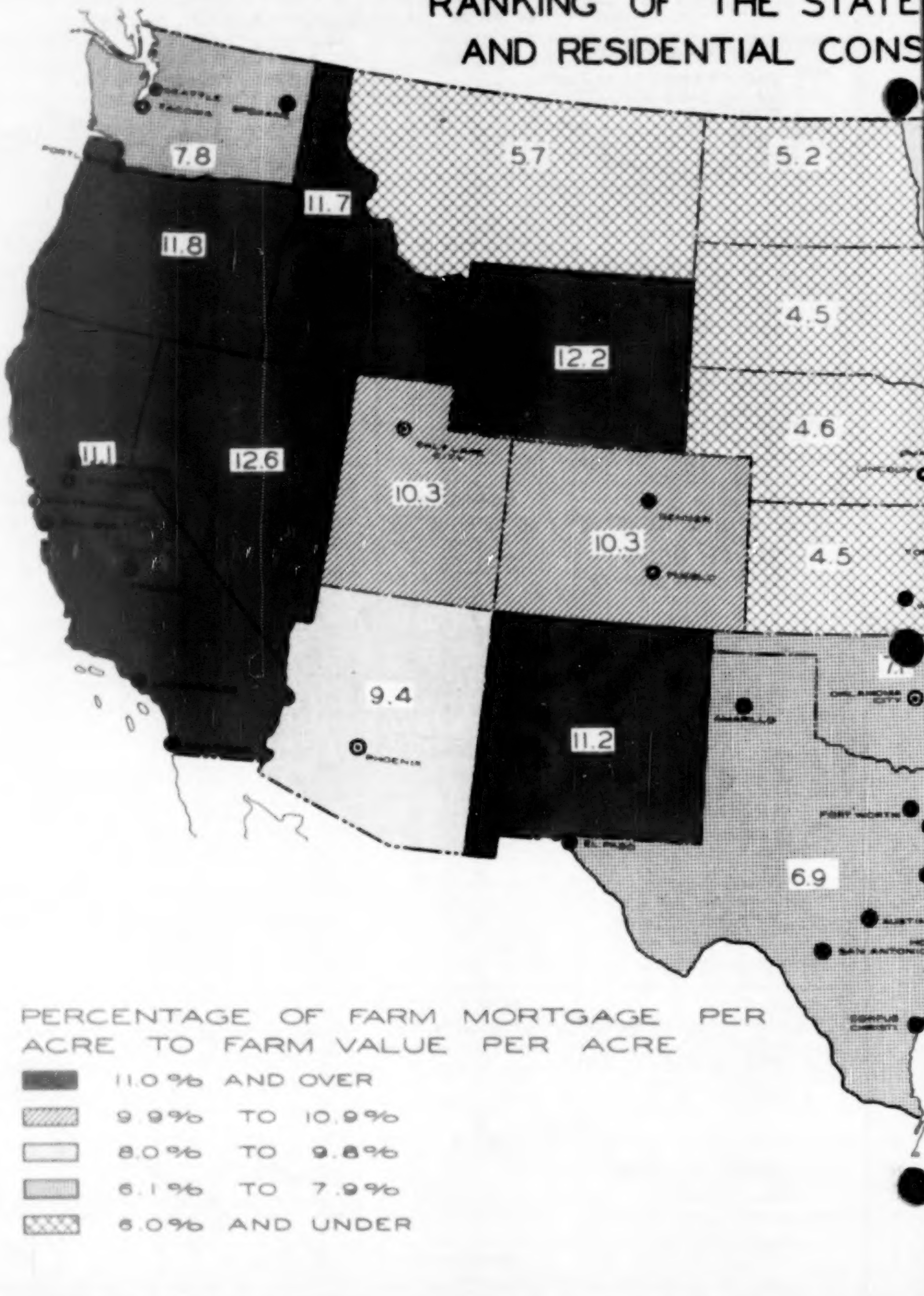
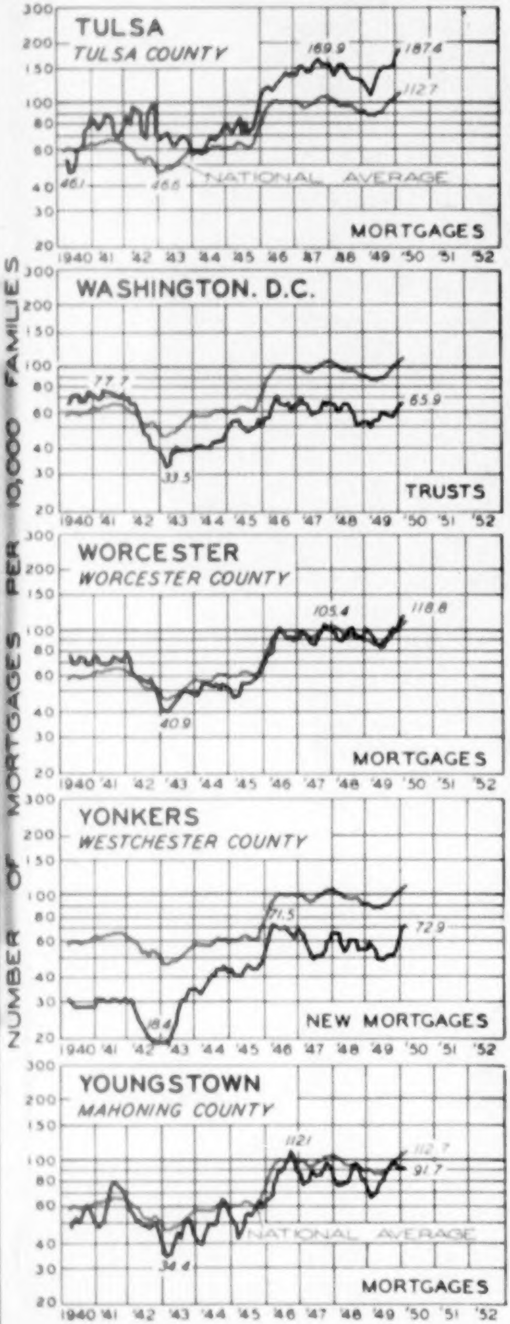
# AND RESIDENTIAL CONS




BY FARM DEBT VALUE RATIO
UCTION IN PRINCIPAL CITIES
8.8
13.0
9.5
10.6
12.5
9.9
8.8
7.4
6.5
10.4
9.9
3.9
6.4
7.2
6.7
9.7
NEW YORK AREA
YONKERS
BRONX
NEW YORK CITY
MANHATTAN
QUEENS
NEW JERSEY
BROOKLYN
RICHMOND
4.7
6.9
9.9
5.9
6.3
6.0
9.4
8.0
LITTLE ROCK
COLUMBIA
11.7
10.5
10.3
SHREVEPORT
8.8
NEW ORLEANS
10.3
ESIDENTIAL CONSTRUCTION
OLUME PER 1,000 FAMILIES
IN PRINCIPAL CITIES
URING 4TH QUARTER 1949
HIGHEST FIFTH
SECOND HIGHEST FIFTH
MIDDLE FIFTH
SECOND LOWEST FIFTH
LOWEST FIFTH

# MORTGAGE ACTIVITY IN PRINCIPAL CITIES






(cont. from page 145)

phase of our economy. All efforts are directed toward constant and increased expansion. Unquestionably, considerable expansion of our housing supply has been necessary, and has been accomplished, but how much longer can we continue without suffering the pangs of overindulgence?

As has been the case for the past few years, mortgage activity in Atlanta, Los Angeles, Dallas, Miami, Oklahoma City and Tulsa continued to be highest above the national average. From January 1949 through January 1950 mortgage activity in Atlanta rose 19%. In Dallas it rose 47%; in Los Angeles it was up 24%. Miami, in a constant steep upward trend since early 1943, had an increase of 33% in activity during 1949. In Oklahoma City mortgage activity recorded an increase of 50% and in Tulsa the rise was 55%.

Although most cities have recently enjoyed rising mortgage activity, some of them continue to be in a declining trend. Those cities where mortgage activity has lagged the most are: Cincinnati, Ohio, where mortgage activity is 39% below its postwar peak; Tucson, Arizona, off 38% from its postwar peak; Oakland, California, and Springfield, Ohio, off 30%; Binghamton, New York, and Stockton, California, off 27%; and Anderson, Indiana, off 24%.

In Brooklyn the only mortgage figures available include assignments of mortgages in addition to new mortgages. Therefore, since the recent steep rise in mortgage activity in Brooklyn cannot be attributed to increased real estate or construction activity (because neither has been noteworthy), it is probably the result of the rather large-scale trading in outstanding HOLC mortgages that has been taking place in Brooklyn during the last few months.

# FARM MORTGAGE AND URBAN BUILDING

THIS title deals with the two apparently unrelated factors shown on the map on pages 152 and 153. Actually the relationship between farm "debt to value ratio" and urban residential construction is rather remote. However, both are indicators of the well-being of two very important segments of our real estate economy.

The farm debt to value ratio is shown by States. The different States are shaded to indicate the various degrees of indebtedness incurred by their farmers; the percentage of mortgage debt to farm land value (per acre) is also shown by the percentage figure placed in (or near) each State.

The traditionally thrifty hardheaded Yankee farmers of Vermont have burdened their farms with the greatest debt. The average mortgage per acre on Vermont farm lands is $7.16 and the average value per acre is $55.15. Therefore, the average farm acreage in Vermont is mortgaged to 13% of its value. Other States in the high percentage group include Wyoming and New Mexico. These two States are among the lowest insofar as the average amount of mortgage per acre is concerned (only 98¢ and 99¢, respectively), but the average value of their farm land is the lowest in the country. The widely diversified farms of Illinois carry the lowest percentage of debt to value - only 3.9% - but with the exception of Illinois and West Virginia, all of the States in the low debt group are the highly specialized States that lead in production of wheat and tobacco.

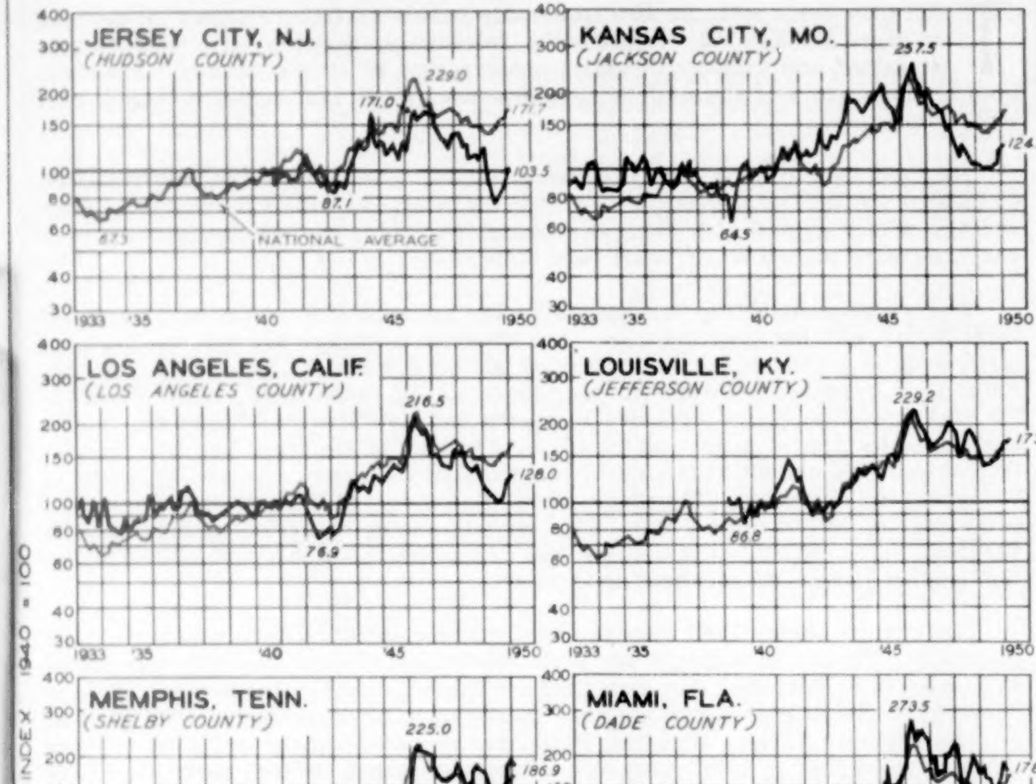
The change during 1949 over the 1948 picture is not particularly significant nationally. Twenty-nine States saw their percentage of debt rise; fourteen States saw theirs fall. The other five States did not change. Most increases took place in the western part of the country and were caused more by declining farm values than by debt increases. There were four States that recorded sizable increases in their debt percentage during 1949. They were: Wyoming, where the debt percentage rose from 8.3 in 1948 to 12.2 in 1949; California, 8.5% in 1948 to 11.1% in 1949; Florida, 7.9 in 1948 to 10.3 in 1949; and Nevada, 10.2% to 12.6% during this same period.

The rate of urban building of residential units for the fourth quarter of 1949 is indicated on the map by the different types of dots that mark the geographical location of each city. By the "rate" of building is meant the number of residential units started for every 1000 families. The cities are then separated into five groups ranging from the lowest fifth to the highest fifth.

Altoona, Pennsylvania, with a rate of 3 units per 1000 families, had the lowest building rate of any metropolitan area during the fourth quarter of 1949, while Miami, Florida, with a rate of 572 units per 1000 families had the highest. Despite the fact that much of Miami's building is for the tourist trade, which is not included in its population count, that city is continuing to enjoy a fine building boom. It is also interesting to notice that once more virtually all of the "high rate" cities are located south of the Ohio River or west of the Mississippi. The only northeastern cities or metropolitan areas in the highest fifth are Yonkers, Queens and Nassau County. On the other hand, 80% of the lowest rate cities are located in the northeastern section of the country.

# REAL ESTATE ACTIVITY IN PRINCIPAL CITIES





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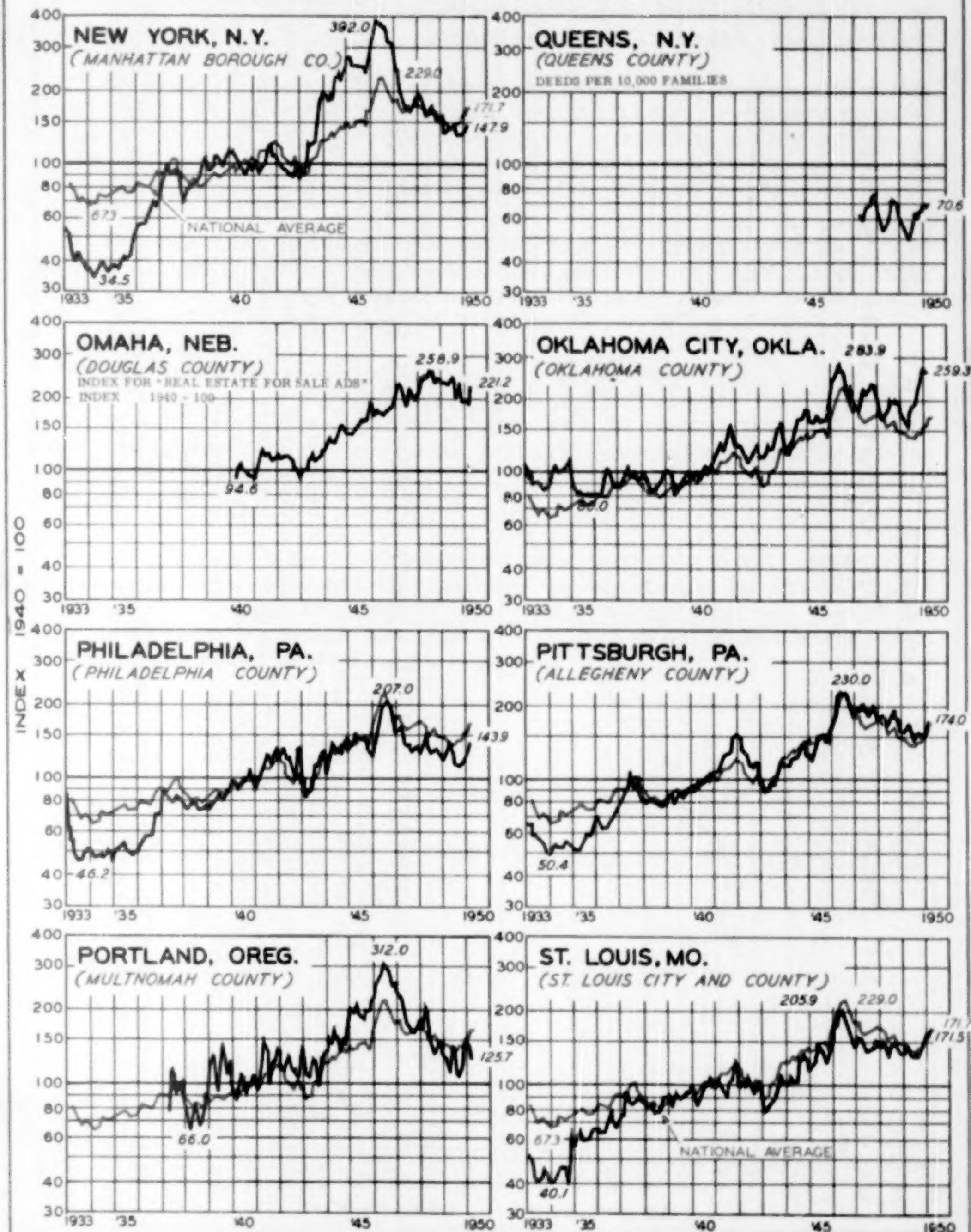
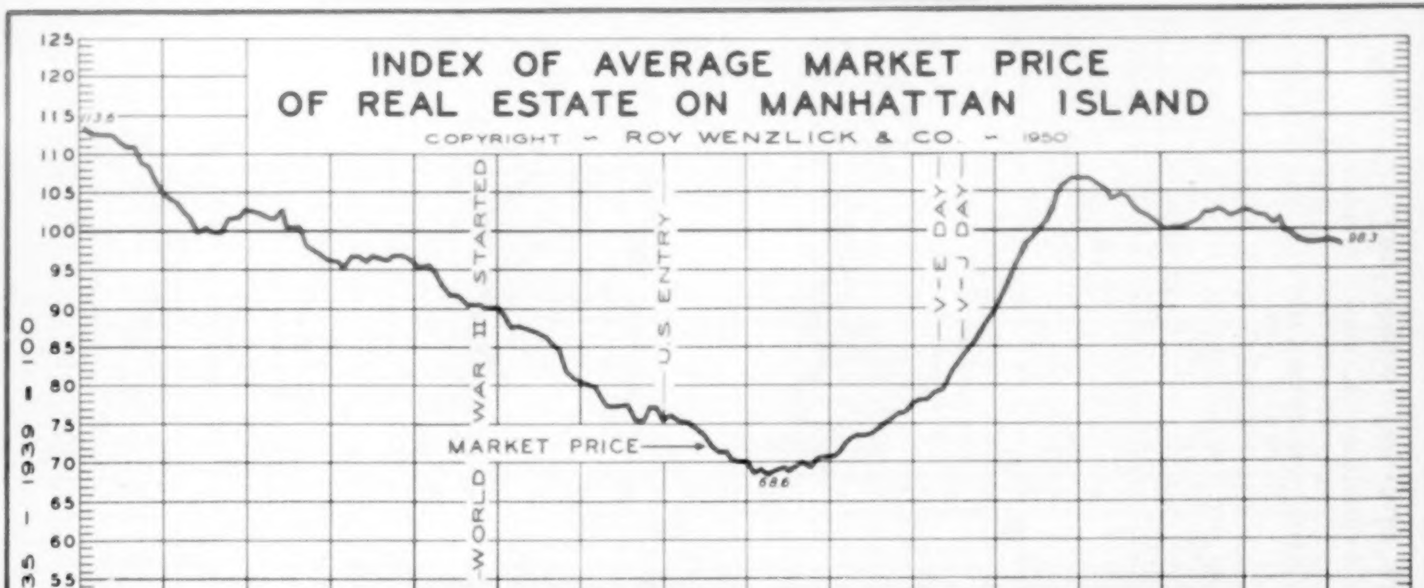





## MANHATTAN REAL ESTATE CONTINUES SLOW DECLINE

SINCE reaching its peak in late 1946 our index of average market price on Manhattan Island has been in a slow downward trend. It is interesting to compare this index of market price with our real estate activity index of the Island. Naturally, the activity index swings much more widely than does the price index, but their changes in direction coincide very closely.

Activity reached its peak on the Island in mid-1946 and declined sharply until its mild recovery beginning in the middle of 1947. About the same time the price index wrinkled upward briefly and moved down again. In mid-1948 real estate activity on the Island again recovered briefly and the price index responded with a slow but more prolonged increase. Finally, in early 1949 real estate activity recovered slightly again, and this time the price index reaction was delayed and somewhat subdued; it merely leveled off during the last quarter of 1949.

The number of sales during 1949 averaged about 250 per month, far below the 1946 average of 670 per month, but not very far above the 1937 monthly average of 195.

# CONFIDENCE INDEX SHOWS IMPROVEMENT

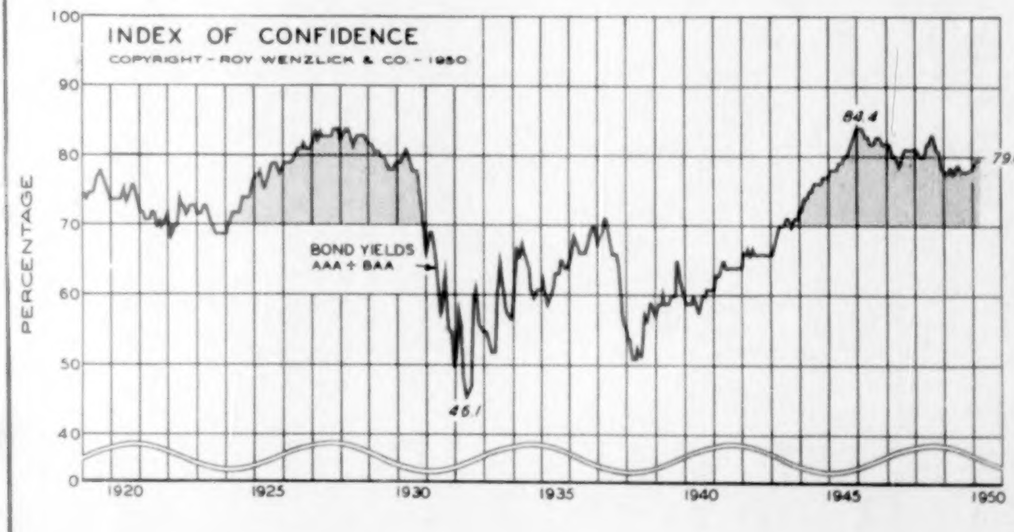
THE index below is a very simple indicator of business confidence, or rather the confidence of informed investors regarding the business outlook. It was devised by the late General Leonard Ayres of the Cleveland Trust Company.

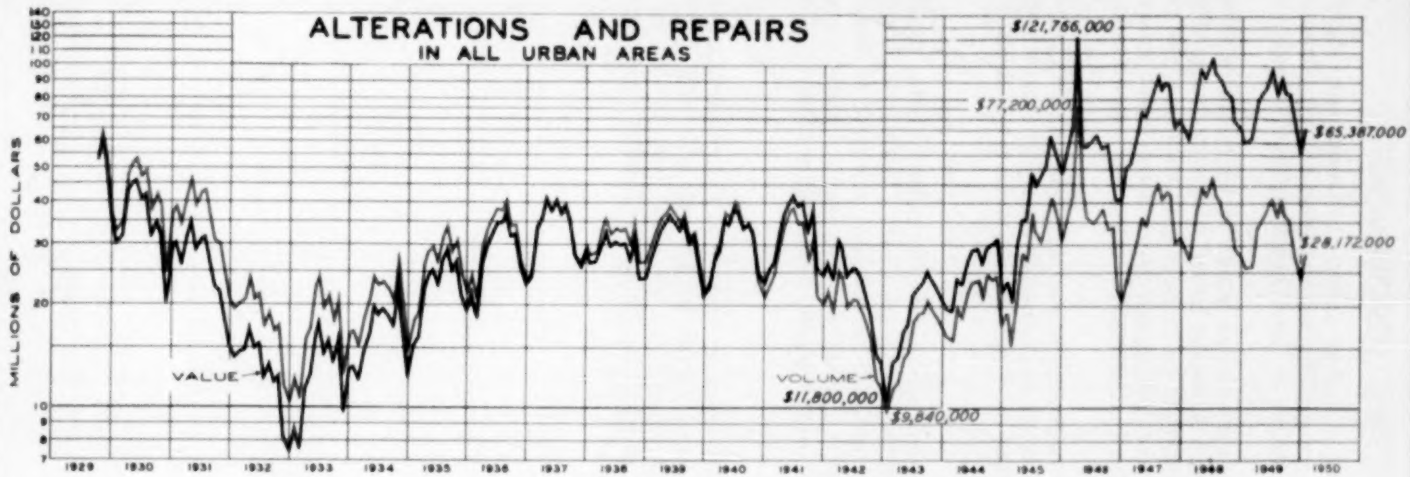
The index is derived by dividing the yields of Aaa bonds by the yields of Baa bonds. During the upswing and at the top of a business boom, investors frequently regard the issues of weaker corporations almost as favorably as they do those of the stronger corporations. Consequently, they bid up the price of the lower grade bonds until their yields are very little greater than those of the top grade bonds.

As business conditions show signs of worsening, investors begin to lose confidence in the weaker issues. They become more interested in safety of investment than in the higher return. When this attitude develops the price on the Baa bonds begins to drop and the yield begins to rise.

The comparatively recent peak of confidence was reached in January 1946. This peak of 84.4 was the highest reached during the life of the chart. Since early 1946 the index has been declining except for two brief recoveries, the first of which ended in November 1948. During the last part of 1949 the index began another slow recovery, and in March 1950 stood at 79.6, or 1.8 points above its reading of 77.8 in March 1949.

Last April we said that we expected the index to remain in a downward trend for some time before making a major recovery. A year has gone by with only slight recovery and we believe that there is some chance that the index may be sent upward very slowly by rising prices of Baa bonds. We do not anticipate a steep or important rise in this index during this year.






## ALTERATIONS AND REPAIRS

THE chart above shows the dollar value and the estimated physical volume of alterations and repairs from September 1929 to the present. The line showing volume is the value line corrected for changing construction costs.

The only basis for a chart of this sort is a compilation of building permits, with the difficulty that a large number of alterations and repairs are of insufficient size individually to require a building permit. For this reason, the dollar figures as shown by the chart are much too low. The percentage fluctuations are probably approximately correct.

The volume of alterations and repairs during 1948 was about equal to that of 1947, although the value in 1948 was somewhat greater due to higher construction costs. In 1949 both volume and value fell off somewhat, but started to recover early in 1950.

We believe that progressive building contractors, and particularly progressive material dealers, can now begin laying the groundwork for a very lucrative business during the eventual slump in new construction. Even today there are contracting firms that specialize in repair work only, and there are some retail material dealers who are beginning to take notice of the small buyer. The day will come when the retail material dealer will have to merchandise his products instead of simply waiting for someone to come in and buy them. There are tremendous strides that can be made in merchandising at the retail level and those companies that start planning their program now are certain to benefit when the slump occurs.